

# Future Supply Business Ops Under PSCM



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*Integrity - Service - Excellence*

For Official Use Only



# Sustainment Case for Change



Competition → Partnering



Honeywell



Small Business Partners

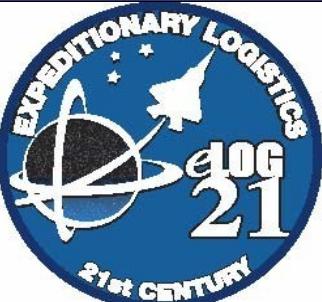


# Logistics Transformation

Adaptive & Responsive  
Radical change  
Integrated

Air Expeditionary Force  
Agile Combat Support  
Maintenance/Sustainment

Rapid Deployment  
Sustainability



20% ↑ in aircraft availability  
10% ↓ in O&S cost by FY2011



100% on time  
delivery  
↓ flowdays 25%  
↓ costs 10%

50% ↓ in sourcing cycle time

20% ↑ in supply material availability

20% ↓ in material purchase and repair

Force Wide Transformation, Synergy & Collaboration Needed to Achieve Go



# AFMC Supply Operations

## Scope of Business



Multiple Supply Chain Management Organizations  
157,000 Line Items

### Organic & Contract Depots



\$3.3B  
Repair Orders

\$1.9B Buy  
Orders



### AFMC Supply Business Area



760K Items Delivered  
\$3.2B

1.7M Items  
Delivered \$1.37B

### Manufacturers



FY04 Sales  
\$6.4 Billion

Net Sales  
\$5.76 Billion

DEPOT



AIR FORCE



ARMY/NAVY



TRANSCOM  
& other agencies



FMS



# PSCM Integrated Business Model

## DYNAMIC STRATEGIC PLANNING

Top-down driven strategy

Enterprise-wide Supply Chain Business Rules

Balanced Scorecard

Customer Relationship Management

Integrated Supply Chain Planning

Strategic Purchasing

Supplier Relationship Management

- Integrated order fulfillment
- Customer self-service
- Proactive analytics

- Unconstrained AND constrained demand & supply plans
- Collaboration with suppliers & customers

- Leveraged commodity-centric sourcing
- Ongoing structure for:
  - \* market intelligence
  - \* commodity strategies
  - \* supplier improvement

- Performance-based contracts
- Supplier scorecards
- Supply base development

Transparent information visibility

Inventory Optimization

Data as a Strategic Resource

Strategically-Focused Workforce

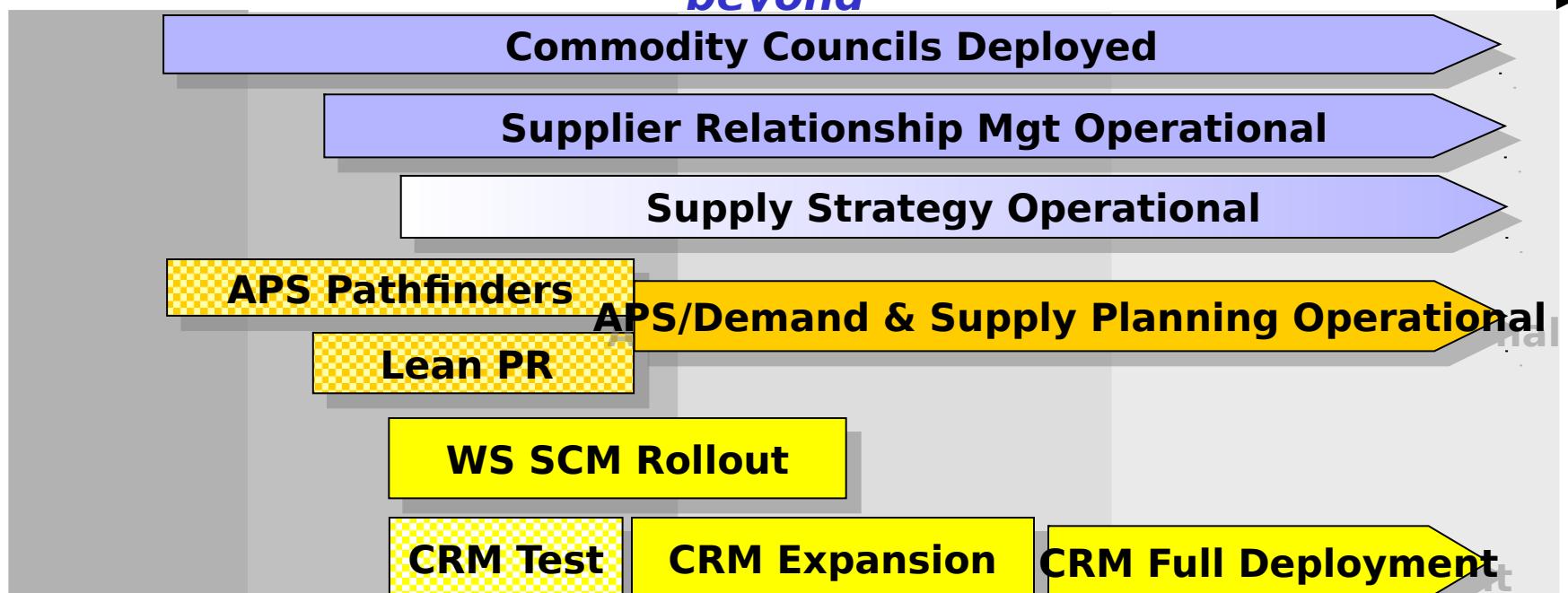
END-TO-END SUPPLY CHAIN MANAGEMENT



# PSCM Transition Roadmap

*The transition plan to the future-state of PSCM can be notionally represented as several emphasized areas of development from FY04 - FY08 and beyond*

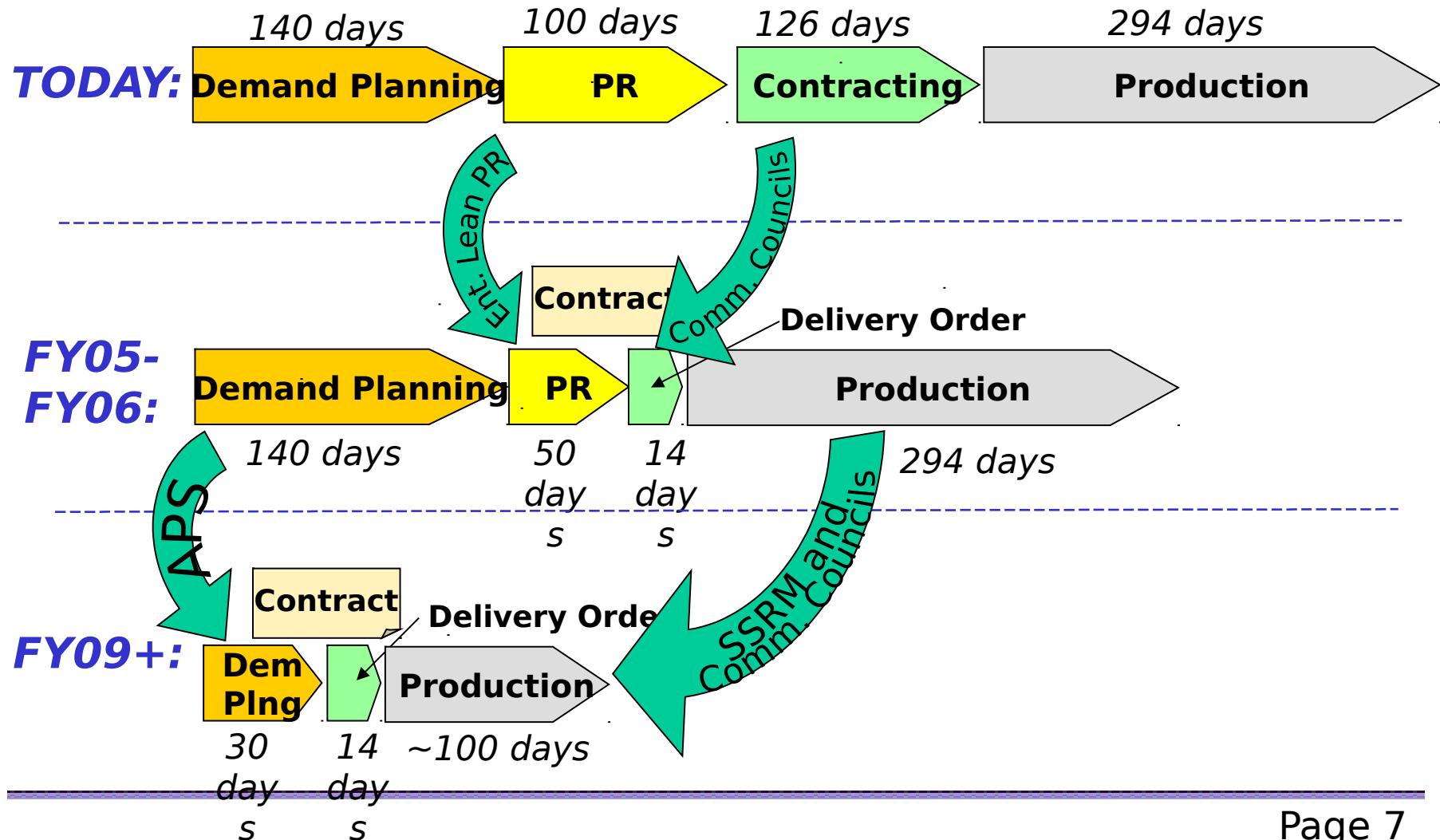
~~FY04~~ ~~FY06~~ ~~FY08~~ ~~and beyond~~



- Deploy PSCM goals and standards via ***balanced scorecard***
- Improve ***Supply support to Maintenance***
- Create strategic ***workforce development*** plan
- Deploy PSCM ***communication, education and training*** program



# Source Cycle Time Example





# Commodity Councils

Commodity Group	Lead ALC	ALC	SEs	Stock #s	# Contracts	# Contract Actions
Aircraft Accessories	OC	ma City		3417	2148	3136
Aircraft Engines	OC	ma City		3121	1689	4018
Aircraft Structural	W-R	-Robins		2358	1148	1591
Communications Electronics	W-R	-Robins		11138	4271	7111
Instruments	OC	ma City		1862	1128	1576
Landing Gear	OO	Ien		1034	905	1154
Secondary Power System	OO	Ien		253	180	253
Support Equipment	W-R	-Robins		3641	4159	5106
<b>TOTALS</b>			3349	26824	15628	23945



# Commodity Councils

Commodity Group	Lead ALC	# of CAGEs	Stock #s	Stock #s / KT	# KT Actions	Total KT Spend
Aircraft Accessories Wave 1	OC	460	3417	1.59	3136	\$915,871,545
Aircraft Engines Wave 3A	OC	411	3121	1.85	4018	\$4,226,370,453
Aircraft Structural Wave 3B	WR	261	2358	2.05	1591	\$747,238,515
Communications Electronics Wave 2	WR	808	11138	2.61	7111	\$1,897,767,309
Instruments Wave 2	OC	324	1862	1.65	1576	\$470,163,117
Landing Gear Wave 1	OO	130	1034	1.14	1154	\$556,395,838
Secondary Power Systems Wave 2	OO	45	253	1.41	253	\$335,920,867
Support Equipment Wave 1	WR	910	3641	.88	5106	\$1,147,071,870
<b>TOTALS</b>		<b>3349</b>	<b>26824</b>	<b>1.72</b>	<b>23945</b>	<b>\$10,296,799,514</b>

92% of Commodity Dollars Spent FY01-FY03



# PSCM Value Proposition

**Increase NSNs/Contract**

Partnering Opportunities

**Increase Actions/Contract**

Small Business Opportunities

Commodity Group	Supplier CAGEs	NSNs	Contracts	Contract Actions	Total Contract Spend	% of Spend
Communications - Electronics	808	16026	4271	7111	\$2,915	17.7%

**Optimize Supply Base**

**Decrease # of Contracts**

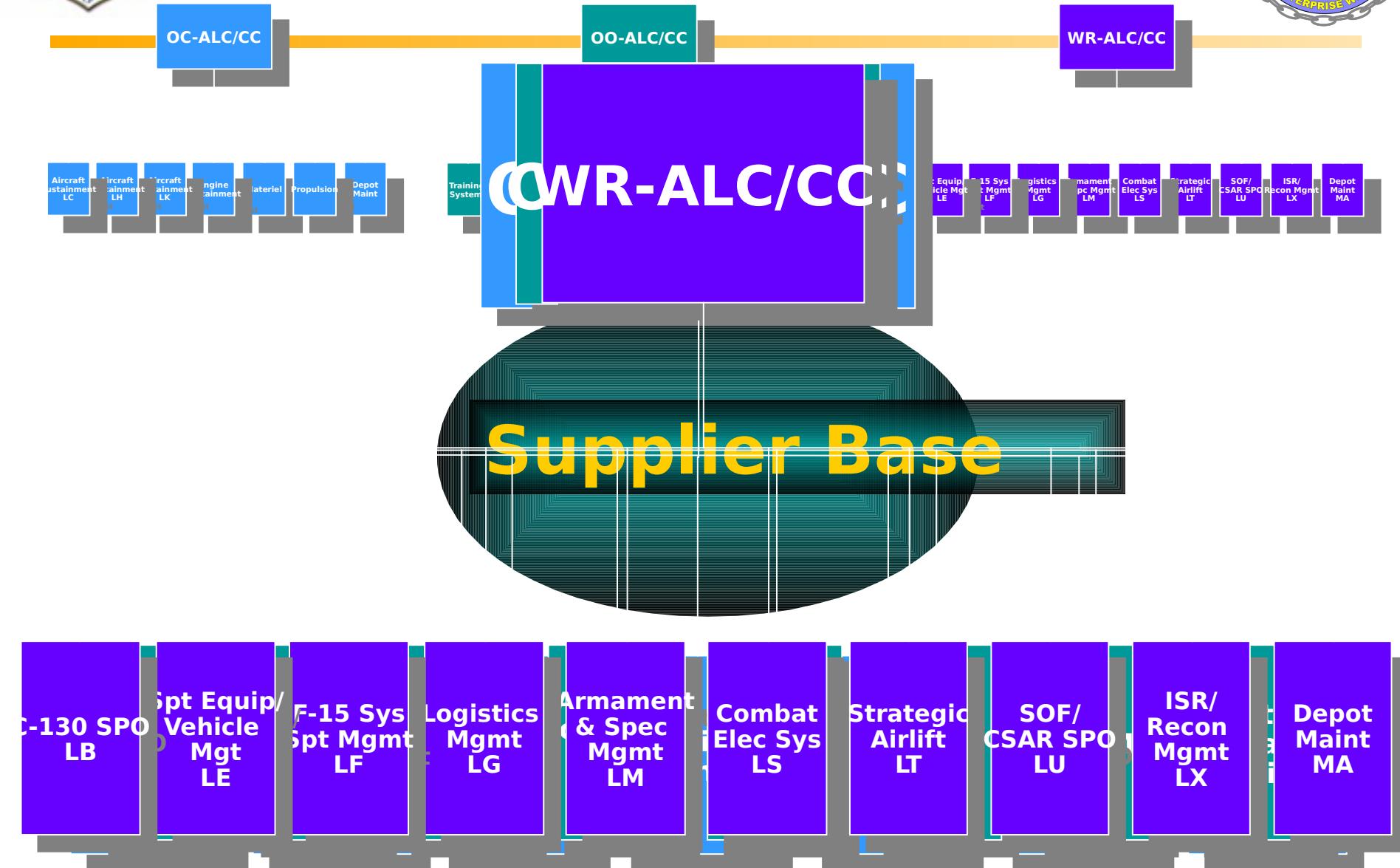
**Decrease Contract Costs**



# Organizing to Achieve Business Objectives

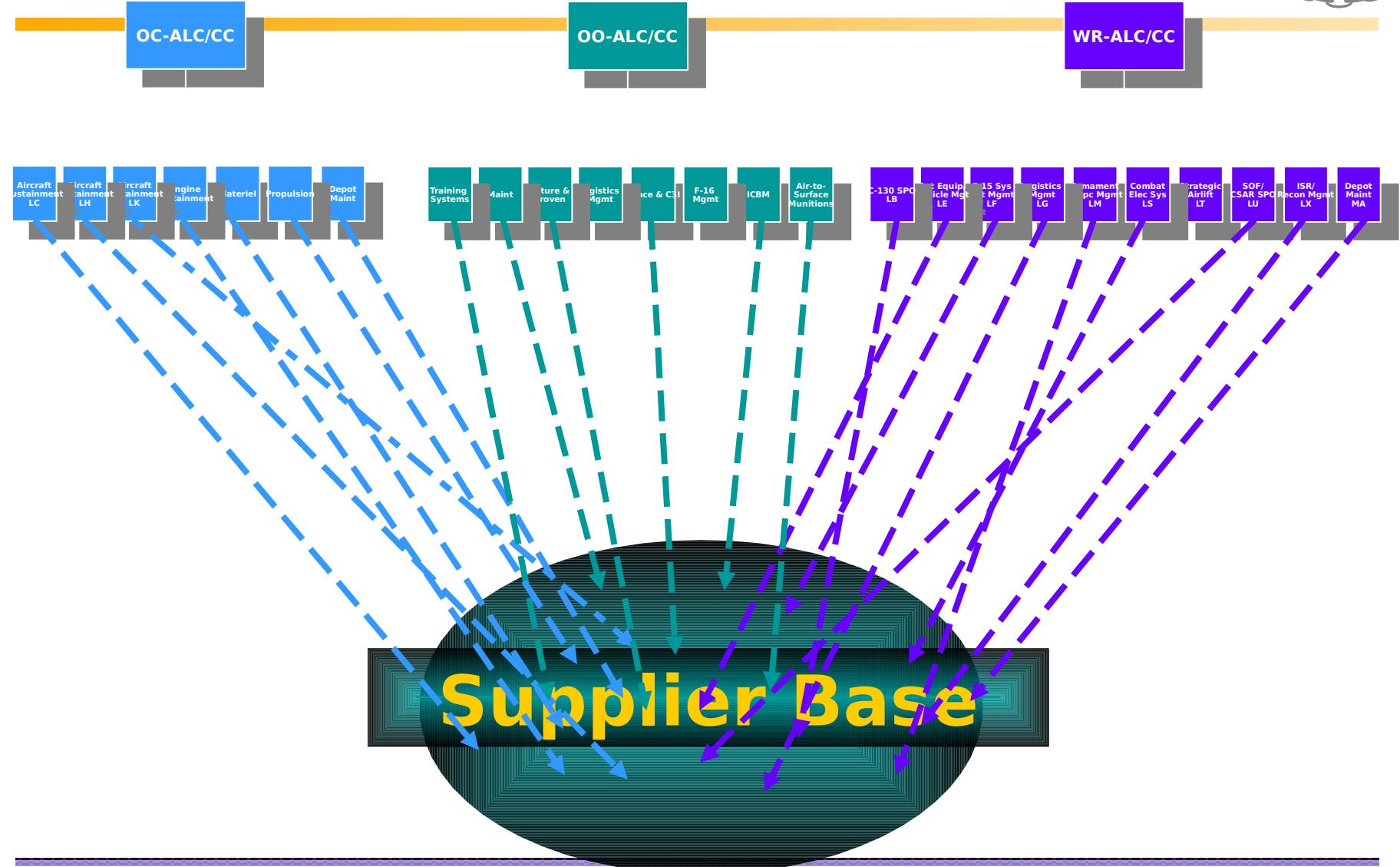


# Current Business Model



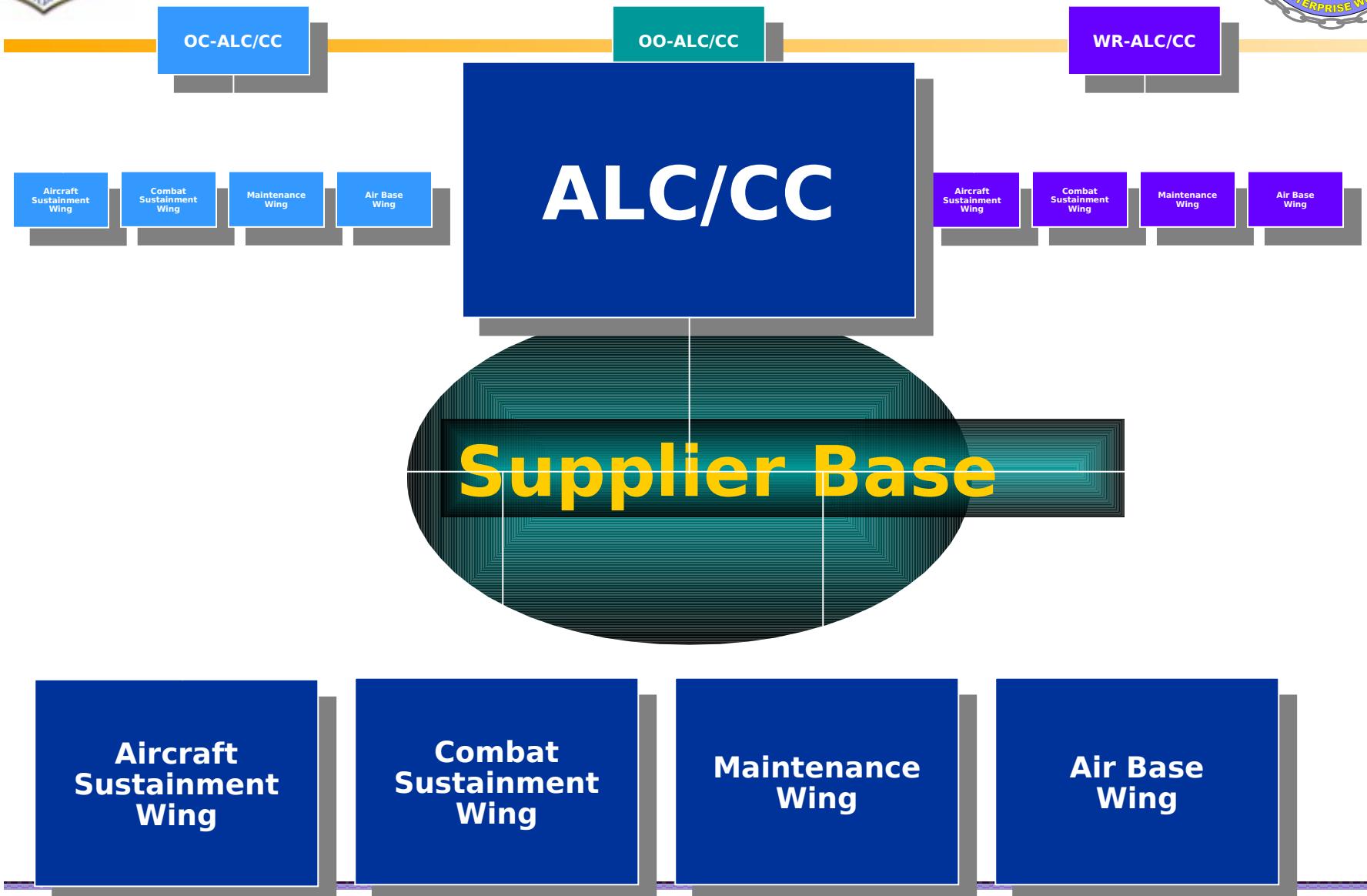


# Current Business Model



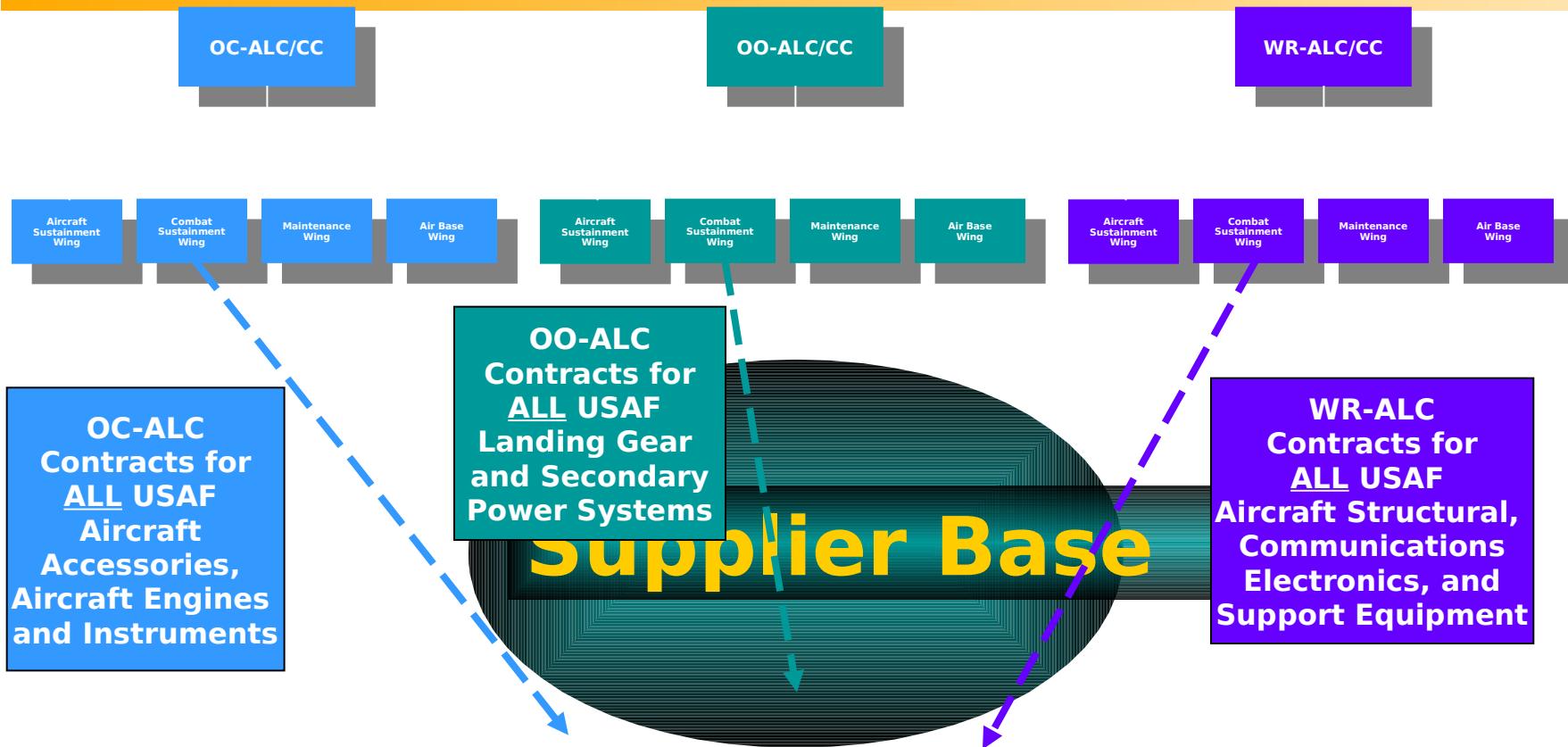


# Future Business Model





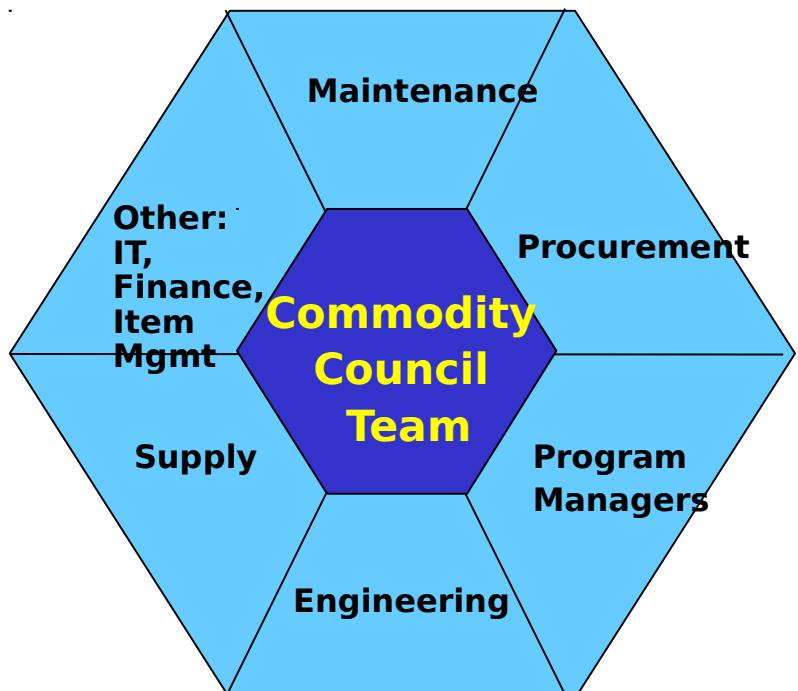
# Future Business Model





# Commodity Councils

**MISSION:** Develop and execute AF-wide commodity sourcing strategies



## **Responsible For:**

- Developing AFMC-wide commodity sourcing strategy
- Executing commodity sourcing strategy
- Monitoring supplier performance
- Supplier development and relationship management
- Commodity market intelligence

## **Not Responsible For:**

- Developing the demand planning forecast
- Managing customers, weapon systems or items
- Conducting tactical planning, scheduling and asset management
- Performing tactical contract management activities

**These functions performed by Supply Chain & Weapon System Management Personnel**



# Commodity Council Team

## (Typical Membership)



<b>Commodity Council (CC) Director</b> <ul style="list-style-type: none"><li>• Executes CC Mgt</li><li>• Formulates CC strategy</li><li>• Accountable for CAMP</li><li>• Accountable for Goals and Stds</li></ul>	<b>Procurement Manager</b> <ul style="list-style-type: none"><li>• Functions as PCO</li><li>• Develops contract and sourcing strategy</li><li>• Executes contract</li></ul>	<b>Sourcing Supply Analyst</b> <ul style="list-style-type: none"><li>• Conducts spend, gap and strategy analysis</li><li>• Develops and manages Supplier Scorecards</li></ul>	<b>Commodity Council Deputy Director</b> <ul style="list-style-type: none"><li>• Manages day-to-day operation of council</li><li>• Coordinates the matrix support team</li><li>• Responsible for assembling the CAMP</li><li>• Goals and Stds POC</li></ul>
<b>Sub-Council Manager</b> <ul style="list-style-type: none"><li>• Manages commodity sub-group</li><li>• Formulates strategies for sub-group</li></ul>	<b>Sub-Council Members</b> <ul style="list-style-type: none"><li>Sourcing Supply Analyst</li><li>Commodity Expert</li><li>Commodity Expert</li><li>Procurement Manager</li><li>Business Analyst</li><li>Supply Chain Analyst</li></ul>		<b>Supply Chain Analyst</b> <ul style="list-style-type: none"><li>• Commodity SC Strategic Planning</li><li>• Continuous Process Improvement POC</li></ul>
<b>Data Specialist</b> <ul style="list-style-type: none"><li>• Performs data analysis</li><li>• Ensures quality and availability of data</li></ul>	<b>Business Req'ts Analyst</b> <ul style="list-style-type: none"><li>• Customer Relations POC</li><li>• Interpret customer needs</li></ul>	<b>Commodity Expert</b> <ul style="list-style-type: none"><li>• Engineering and technical expert</li><li>• Commodity Standardization</li></ul>	<b>Market Analyst</b> <ul style="list-style-type: none"><li>• Research, analyze and interpret market intelligence</li><li>• Builds knowledge repository</li></ul>
(shared resource)			



# PSCM Governance Structure

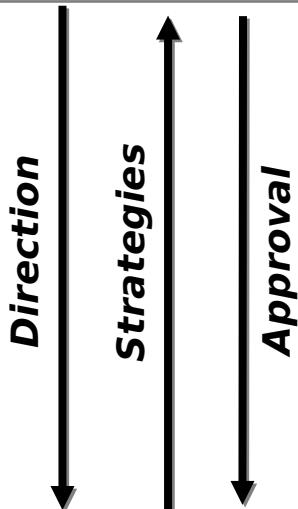
## Materiel Governance Board (MGB)

- Own sourcing process for Supply Chain
- Approve overall sourcing and supply chain goals and objectives
- Evaluate ongoing commodity council performance

*SSRM is part of MGB =*

## Strategic Supplier Relationship Manager

- Develop supplier objectives and strategies (overall framework)
- Monitor and review supplier performance at strategic level
- Collaborate with exec sponsors to determine sourcing execution responsibility

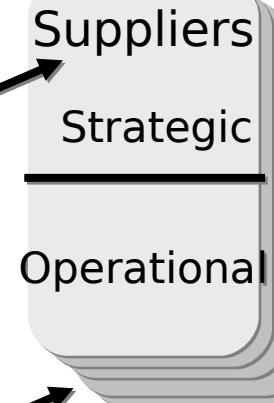


Commodity Knowledge & Supplier Performance

Supplier Knowledge

## Commodity Councils (CC)

- Establish/execute AFMC-wide commodity strategies
- Capture, monitor, and distribute supplier performance for commodity
- Manage operational relationships with suppliers





# Commodity Council Progress



- ✓ **7 of 8 Councils Launched & Developing Strategies**
  - Members identified, trained & “on it”
- ✓ **Material Governance Board in operation**
  - Command’s 8 Supply & Contracting leaders
- ✓ **Commodity Councils are forging ahead**
  - 3 of 8 Commodity Management Plans Approved
  - Several Spiral Strategies Approved
    - Great variety in initial strategies
    - Small business involvement
    - Performance clauses & partnering
    - Moving to Contract Phase





# Summary of PSCM Benefits



## Key Changes

- Customer and supplier collaboration
- Flexible Contract Structures
- Performance Based Contracts
- AFMC-wide commodity strategies
- Real-time supply chain visibility
- Enterprise planning & execution
- Supplier performance improvement
- Lean Sustainment Processes
- Strategic contracts based on commodity-based strategies

Benefits

Supply  
Material  
Availability  
Improvements

Supply Chain  
Cost  
Reduction

Benefits

Cycle Time  
Improvement

Benefits



# Summary Expected Outcomes



## □ **Benefits to the Warfighter**

- More responsive to mission demands
- Lower cost products
- On time deliveries
- Fewer items in depots, more at the field units
- High quality products



## □ **Benefits to the Air Force**

- Easier to execute purchasing arrangements
- Reduced cycle times
- Less transaction "thrash"
- Lower Unit Prices
- Accountable to AF Corporate Structure



## □ **Benefits to Suppliers**

- More predictable, longer-term business
- Strategic, focused relationship with AFMC
- Fewer, higher-value contracts
- Lower overhead costs



Small Business Partners

BAE SYSTEMS